

Financial Statements

**Van Buren Community
Mental Health Authority**

Paw Paw, Michigan

September 30, 2008



Van Buren Community Mental Health Authority
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INDEPENDENT AUDITOR'S REPORT

Van Buren Community Mental Health Authority
Paw Paw, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Van Buren Community Mental Health Authority (the Authority), as of and for the year ended September 30, 2008, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Authority as of September 30, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 26, 2008, on our consideration of the Authority's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The other supplemental financial information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Roslund, Prestage & Co, PC".

Roslund, Prestage & Company, P.C.
Certified Public Accountants

December 26, 2008

MANAGEMENT'S DISCUSSION and ANALYSIS



**Van Buren Community Mental Health Authority
Management's Discussion and Analysis
For the Fiscal Year ended September 30, 2008**

The management of Van Buren Community Mental Health Authority (**VBCMHA**) presents the following discussion and analysis of financial activities during the fiscal year ended September 30, 2008. This discussion and analysis is provided to introduce the basic financial statements of the past year and to provide the reader information to help assess whether the financial position has improved or deteriorated as a result of the year's operations. Please read this section in conjunction with the auditor's report and with our financial statements, notes to financial statements and supplemental information taken as a whole.

Under the contractual requirements issued by the Michigan Department of Community Health (**MDCH**), VBCMHA began in FY 2002-2003 receiving a sub-capitation Medicaid funding directly from Summit Pointe (a.k.a. Calhoun County Community Mental Health Authority). Summit Pointe is the regional Prepaid Inpatient Health Plan (**PIHP**) responsible for administering mental health and substance abuse services for a five county affiliation consisting of Barry, Berrien, Branch, Calhoun and Van Buren counties. The affiliation, known as Venture Behavioral Health, operates under an agreement pursuant to the Intergovernmental Transfer of Functions and Responsibilities Act (ITFRA).

BASIC FINANCIAL STATEMENTS

Basic financial statements, in accordance with generally accepted accounting principles (GAAP) according to GASB 34, require the presentation of two types of financial statements: Government-wide Statements and Fund Statements.

Government-wide financial statements are designed to present the organization's finances in a layout similar to that of a private sector business. They consist of a Statement of Net Assets (providing historical balance sheet information) which shows the difference between assets and liabilities; and a Statement of Activities (providing historical income statement information) which shows revenues and expenses and the change in net assets from the previous year. Information presented in these statements is on the accrual basis of accounting. Long-term assets are capitalized and depreciated. Long-term debt is recorded as a liability. Revenues are recorded when "earned" and expenses recorded when "incurred", without regard to the timing of cash receipts or disbursements.

Fund financial statements offer a series of statements that focus on the major governmental funds. These statements contain individual groups of related accounts and are used to report current assets, current liabilities, fund balance, revenues and expenditures for specific activities or funds segregated for legal requirements or other governmental objectives. The governmental fund financial statements are reported on the modified accrual basis of accounting. Only those assets that are “measurable” and “currently available” are reported. Liabilities are recognized only to the extent that they are normally expected to be paid with current financial resources. For VBCMHA, the major funds consist of the General Fund and the New Outlook Fund (which are categorized as Governmental Funds). Reconciliations are also offered between the Fund Financial Statements and the Government – wide Financial Statements.

NOTES TO FINANCIAL STATEMENTS

The Notes to Financial Statements which immediately follow the financial statements provide additional and more detailed information that is essential to a full understanding of the data provided in the financial statements. Items concerning significant accounting policies, stewardship, compliance and accountability, as well as, detailed notes on all assets and liabilities are provided in this section.

KEY FINANCIAL INDICATORS (VBCMHA Governmental Funds)

	Dun & Bradstreet Industry Benchmarks		
	VBCMHA <u>FY 08</u>	VBCMHA <u>FY 07</u>	2006 <u>Median</u>
<u>Financial Stability</u>			
Current Assets to Current Liabilities	3.0	2.8	2.4
Total Liabilities to Net Assets	.55	.63	.6
Fixed Assets to Net Assets	.17	.13	.65
Cash Available for Net Assets, %	.99	1.10	N/A
Defensive Interval Ratio (days of current assets)	74	87	N/A

Current financial ratios are compared with financial indicators for the last fiscal year and industry statistics (median) benchmarks as provided by Dun & Bradstreet (2006 latest data available) for the specialty outpatient clinic industry.

STATEMENT OF NET ASSETS
(STATEMENT OF CHANGES IN FUND BALANCES)

	Balance <u>10/01/07</u>	Increase <u>(Decrease)</u>	Balance <u>09/30/08</u>
Assets			
Current Assets	3,509,987	(427,661)	3,082,326
Noncurrent Assets	696,589	106,545	803,134
Liabilities			
Current Liabilities	1,270,220	(241,289)	1,028,931
Noncurrent Liabilities	352,355	(8,009)	344,346
Net Assets	2,584,001	(71,818)	2,512,183

STATEMENT OF ACTIVITIES
(REVENUES AND EXPENDITURES)

Revenues: FY 08 audited revenues for governmental funds (in accordance with GAAP) are \$15,197,224. Certain changes to this number are then necessary to arrive at our MDCH final report of revenues which total \$15,424,713. The FY 2008 MDCH reportable revenues compared to the FY 2007 MDCH reportable revenues of \$15,048,821 indicates an increase of revenues of \$375,892 (a 2% increase). The overall increase was primarily attributable to an increase in Medicaid funds.

Expenditures: FY 08 audited expenditures for governmental funds (in accordance with GAAP) are \$15,245,089. Certain changes to this number are then necessary to arrive at our MDCH final report of expenditures which total \$15,253,029. The FY 2008 MDCH reportable expenditures compared to the FY 2007 MDCH reportable expenditures of \$14,787,844 indicates an increase in expenditures of \$465,185 (a 3% increase). The overall increase was primarily attributable to an increase in contractual services.

Capital Outlay Expenditures: FY 08 expenditures for Capital Outlay included an Agency wide computer system upgrade (\$59,523); and the replacement of seven (7) vehicles (\$132,846) to be used throughout the agency. The total capital outlay for FY 08 was \$192,369.

BUDGET VARIATIONS (Original to Final)

Revenue and Expense Budgets were increased by \$421,867 from the original to the final versions. The most significant increase to Budgeted Revenues was to the Medicaid Revenue line item. The most significant increases to Budgeted Expenses were to the Contracted Services line items.

CURRENTLY KNOW FACTS, DECISIONS, CONDITIONS

The State of Michigan's level of funding for community mental health services remains uncertain for FY 2009 and beyond. The State continues to face a current year budget deficit. In FY 2008 Van Buren Community Mental Health experienced a slight increase to both the State General Funds authorization and to the Adult Benefit Waiver enrollment and authorization. Medicaid Capitation rates and funding were also increased by approximately 2%.

460 Reporting – Administrative Costs

As you may recall, recently enacted State Legislation (Section 460 of P.A. 154 of 2005), commonly referred to as “the administrative cost allocation initiative”, set out a new set of reporting requirements for FY 2007 and beyond. All Pre-paid Inpatient Health Plans (PIHP's) and Community Mental Health Services Programs (CMHSP's) are now required to submit to the State Department of Community Health (MDCH) a formal and detailed Cost Allocation Plan. The Cost Allocation Plan is to be consistent with the requirements and principles of the Federal OMB Circular A-87. This allocation model was developed for the specific purpose and limited scope of providing common definitions for consistent assignment of certain costs (primarily administrative costs), and for reporting the results to the State Legislature.

460 Reporting – Phase II

Phase II of Section 460 reporting was initiated in FY 2008 with the additional reporting requirements that all PIHP's and CMHSP's report the direct and administrative expenses of all “prime subcontractors” that are paid through the community mental health system. CMHSP's are responsible to report all non-medicare expenses, while PHIP's are responsible to report their region's Medicare expenses.

Van Buren Community Mental Health has reported an “administrative cost” per-cent of 11.33% in their final Section 460 report for FY 2008. This rate remained fairly constant to the FY 2007 rate of 11.12%.

BASIC FINANCIAL STATEMENTS - GOVERNMENT WIDE FINANCIAL STATEMENTS



Van Buren Community Mental Health Authority
Statement of Net Assets
September 30, 2008 and 2007

	Governmental Activities	
	2008	2007
Assets		
Current assets		
Cash and cash equivalents	\$ 2,478,575	\$ 2,850,170
Accounts receivable, net	166,112	70,720
Due from other governmental units	242,372	424,978
Prepaid items	195,267	164,119
Total current assets	3,082,326	3,509,987
Noncurrent assets		
Cash and cash equivalents - restricted	218,652	183,281
Investments - restricted	153,557	175,118
Capital assets - depreciable, net	430,925	338,190
Total noncurrent assets	803,134	696,589
Total assets	3,885,460	4,206,576
Liabilities		
Current liabilities		
Accounts payable	627,750	489,614
Accrued wages and other payroll liabilities	162,691	259,897
Due to other governmental units	112,594	399,055
Deferred revenue	125,896	121,654
Total current liabilities	1,028,931	1,270,220
Noncurrent liabilities		
Compensated absences	344,346	352,355
Total liabilities	1,373,277	1,622,575
Net Assets		
Invested in capital assets, net of related debt	430,925	338,190
Restricted for grant	189,298	188,261
Restricted for Medicaid savings	-	132,477
Unrestricted	1,891,960	1,925,073
Total net assets	\$ 2,512,183	\$ 2,584,001

See Accompanying Notes To Financial Statements

Van Buren Community Mental Health Authority
Statement of Activities
For the year ended September 30, 2008, With Comparative Data

Functions	Program Revenues			Net (Expense) Revenue and Changes Net Assets	2007
	Expenses	Charges for Services	Operating Grants and Contributions		
Governmental activities					
Health & Welfare - Mental Health	<u>\$ 15,245,089</u>	<u>\$ 11,845,245</u>	<u>\$ 3,230,868</u>	\$ (168,976)	\$ (145,996)
General revenues					
Unrestricted investment earnings				103,036	157,003
Transfer in - Calhoun County CMH Authority				<u>-</u>	<u>124,408</u>
Change in net assets				(65,940)	135,415
Net assets, beginning of year				2,584,001	2,406,475
Prior period adjustment				<u>(5,878)</u>	<u>42,111</u>
Net assets, end of year				<u>\$ 2,512,183</u>	<u>\$ 2,584,001</u>

See Accompanying Notes To Financial Statements

FUND FINANCIAL STATEMENTS



Van Buren Community Mental Health Authority
Balance Sheet
Governmental Funds
September 30, 2008, With Comparative Data

	MAJOR FUNDS			
	General Fund	New Outlook Fund	Total Governmental Funds	2007
Assets				
Cash and cash equivalents	\$ 2,271,667	\$ 206,908	\$ 2,478,575	\$ 2,850,170
Accounts receivable, net	166,112	-	166,112	70,720
Due from other governmental units	242,372	-	242,372	424,978
Prepaid items	195,267	-	195,267	164,119
Cash and cash equivalents - restricted	218,652	-	218,652	183,281
Investments - restricted	153,557	-	153,557	175,118
	<u>\$ 3,247,627</u>	<u>\$ 206,908</u>	<u>\$ 3,454,535</u>	<u>\$ 3,868,386</u>
Liabilities				
Accounts payable	\$ 617,833	\$ 9,917	\$ 627,750	\$ 489,614
Accrued wages and other payroll liabilities	154,998	7,693	162,691	259,897
Due to other governmental units	112,594	-	112,594	399,055
Deferred revenue	125,896	-	125,896	121,654
	<u>1,011,321</u>	<u>17,610</u>	<u>1,028,931</u>	<u>1,270,220</u>
Fund balances				
Reserved:				
Grant	-	189,298	189,298	188,261
Prepaid items	195,267	-	195,267	164,119
Compensated absences	319,876	-	319,876	327,315
Medicaid savings	-	-	-	132,477
Unreserved	1,721,163	-	1,721,163	1,785,994
	<u>2,236,306</u>	<u>189,298</u>	<u>2,425,604</u>	<u>2,598,166</u>
Total fund balances	<u>2,236,306</u>	<u>189,298</u>	<u>2,425,604</u>	<u>2,598,166</u>
Total liabilities and fund balances	<u>\$ 3,247,627</u>	<u>\$ 206,908</u>	<u>\$ 3,454,535</u>	<u>\$ 3,868,386</u>

See Accompanying Notes To Financial Statements

Van Buren Community Mental Health Authority
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds
to Net Assets of Governmental Activities on the Statement of Net Assets
For the year ended September 30, 2008

Total fund balance - governmental funds	\$ 2,425,604
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Add: capital assets	1,246,952
Deduct: accumulated depreciation	(816,027)
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:	
Deduct: compensated absences	<u>(344,346)</u>
Net assets of governmental activities	<u><u>\$ 2,512,183</u></u>

See Accompanying Notes To Financial Statements

Van Buren Community Mental Health Authority
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended September 30, 2008, With Comparative Data

	MAJOR FUNDS		Total	2007
	General Fund	New Outlook Fund	Governmental Funds	
Revenues				
State grants				
Department of Community Health contract				
General fund formula and categorical	\$ 2,121,241	\$ -	\$ 2,121,241	\$ 2,082,818
Adult Benefit Waiver	259,064	-	259,064	246,267
Title XX	13,017	-	13,017	13,017
Total state grants	<u>2,393,322</u>	<u>-</u>	<u>2,393,322</u>	<u>2,342,102</u>
Federal grants	<u>389,816</u>	<u>-</u>	<u>389,816</u>	<u>352,713</u>
Contributions - local units				
County appropriations	<u>270,000</u>	<u>-</u>	<u>270,000</u>	<u>270,024</u>
Charges for services				
Medicaid - Venture contract	10,762,969	380,800	11,143,769	10,959,913
Medicaid - other	112,126	-	112,126	94,463
Client and third party pay	347,600	-	347,600	249,556
Other earned revenue	133,572	108,178	241,750	186,517
Total charges for services	<u>11,356,267</u>	<u>488,978</u>	<u>11,845,245</u>	<u>11,490,449</u>
Interest and rents				
Interest	<u>95,306</u>	<u>7,730</u>	<u>103,036</u>	<u>157,003</u>
Other revenue				
MTI income	130,751	-	130,751	151,839
United Way	31,000	-	31,000	31,000
Miscellaneous	34,054	-	34,054	10,304
Total other revenue	<u>195,805</u>	<u>-</u>	<u>195,805</u>	<u>193,143</u>
Total revenues	14,700,516	496,708	15,197,224	14,805,434

See Accompanying Notes To Financial Statements

Van Buren Community Mental Health Authority
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended September 30, 2008 With Comparative Data

	MAJOR FUNDS		Total Governmental Funds	2007
	General Fund	New Outlook Fund		
Expenditures				
Health & Welfare - Mental Health				
Personnel costs	\$ 7,783,237	\$ 366,358	\$ 8,149,595	\$ 8,034,185
Operating expenditures	6,951,339	70,605	7,021,944	6,674,184
Capital outlay	192,369	-	192,369	212,196
Total expenditures	14,926,945	436,963	15,363,908	14,920,565
Excess of revenues over expenditures	(226,429)	59,745	(166,684)	(115,131)
Other financing sources (uses)				
Operating transfers in (out)	58,708	(58,708)	-	-
Operating transfers in - Calhoun County CMH Authority	-	-	-	124,408
Excess of revenues and other sources Over expenditures and other uses	(167,721)	1,037	(166,684)	9,277
Fund balance, beginning of year	2,409,905	188,261	2,598,166	2,546,778
Prior period adjustment	(5,878)	-	(5,878)	42,111
Fund balance, end of year	<u>\$ 2,236,306</u>	<u>\$ 189,298</u>	<u>\$ 2,425,604</u>	<u>\$ 2,598,166</u>

See Accompanying Notes To Financial Statements

Van Buren Community Mental Health Authority
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balances of Governmental Funds to the Statement of Activities
For the year ended September 30, 2008

Net change in fund balances - total governmental funds	\$ (166,684)
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Amounts reported for governmental activities in the statement of activities
are different because:

Governmental funds report capital outlays as expenditures. However,
in the statement of activities, the cost of those assets is allocated over
their estimated useful lives as depreciation expense.

Add:	capital outlay	192,369
Deduct:	depreciation expense	(83,905)
Add:	gain on disposal of capital assets	2,346
Deduct:	proceeds from disposal of capital assets	(18,075)

Some expenses reported in the statement of activities do not require the
use of current financial resources and therefore are not reported as
expenditures in the funds.

Add:	decrease in accrual for compensated absences	<u>8,009</u>
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Change in net assets of governmental activities	<u><u>\$ (65,940)</u></u>
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See Accompanying Notes To Financial Statements

NOTES TO THE FINANCIAL STATEMENTS



Van Buren Community Mental Health Authority
Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Van Buren Community Mental Health Authority (the Authority) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the significant accounting policies used by the Authority.

Reporting Entity

The Authority operates as a Community Mental Health Authority under the provisions of Act 258 - Public Acts of 1974, as amended. The Authority provides funding for services in the areas of mental illness, developmental disabilities, and other related mental health needs for residents of Van Buren County.

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the Authority's reporting entity, and which organizations are legally separate, component units of the Authority. Based on the application of the criteria, the Authority does not contain any component units.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the Authority. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges to consumers who purchase, use or directly benefit from services provided by a given function. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Other items not properly included among program revenues are reported instead as general revenues rather than as program revenues.

Van Buren Community Mental Health Authority
Notes to Financial Statements

Net assets are restricted when constraints placed on them are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net assets. When both restricted and unrestricted resources are available for use, generally it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-Wide Financial Statements - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund Financial Statements - The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal year end. An exception to the "60 day" rule is the recognition of certain patient fee revenues and the related receivables. The Authority has elected to recognize these revenues on the cash basis of accounting, which is in compliance with the Department of Community Health's revenue recognition formula. The difference between the cash basis of accounting and modified accrual basis of accounting for these revenues are not material to the financial statements. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and severance pay, are recorded only when payment is due.

The Authority reports the following major governmental funds:

Governmental Funds

General Fund - This fund is the Authority's primary operating fund. It accounts for all financial resources of the Authority, except those required to be accounted for in other funds.

New Outlook Fund - This fund accounts for the financial activities of the child and family collaborative funding arrangement providing wraparound services to the residents of Van Buren County.

Van Buren Community Mental Health Authority
Notes to Financial Statements

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Comparative Data

Comparative total data for the prior year has been presented in order to provide an understanding of the changes in financial position and operations. Also, certain amounts presented in the prior year may have been reclassified in order to be consistent with the current year's presentation.

Budgetary Data

The Authority adopts an annual budget for the general fund and the New Outlook fund. The budgets are adopted and prepared on the modified accrual basis of accounting. The budgets are adopted at the function level. The budgeted revenues and expenditures for governmental fund types, as presented in this report, include any authorized amendments to the original budgets as adopted.

Cash and Cash Equivalents

The Authority's cash and cash equivalents are considered to be cash on hand, money market funds, demand deposits and certificates of deposit.

Restricted Cash Equivalents and Investments

The Authority has charged to the Department of Community Health the vested portion of compensated absences as of September 30. These restricted assets are held in a separate account with a local financial institution.

Receivables

Accounts receivable in all funds report amounts that have arisen in the ordinary course of business and are stated net of allowances for uncollectible amounts.

Due from other governmental entities consist primarily of amounts due from the Michigan Department of Community Health, the State of Michigan and Van Buren County.

Van Buren Community Mental Health Authority
Notes to Financial Statements

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Inventories

The Authority does not recognize as an asset inventories of supplies. The cost of these supplies is considered immaterial to the financial statements and the quantities are not prone to wide fluctuation from year to year. The costs of such supplies are expensed when purchased.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as individual assets with an initial cost equal to or more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

The Authority does not have infrastructure type assets.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction of capital assets is not capitalized. No interest expense was incurred during the current year.

Capital assets utilized in the governmental funds are recorded as expenditures in the governmental fund financial statements. Depreciation expense is recorded in the government-wide financial statements.

Capital assets of the Authority are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Computer Equipment	3 – 5
Office Equipment	5 – 10
Vehicles	7 – 10

Van Buren Community Mental Health Authority
Notes to Financial Statements

Inpatient / Residential Cost Liability

The amount recorded for inpatient/residential liability is based on management's estimate. This estimate is based on 1) the number of clients at each facility, 2) the number of days each client is at each facility, and 3) the daily rate charged for each facility.

The Authority does not receive actual billings for these services until several months after the service date. Therefore, the liability is not liquidated within the normal 60 day period after year end. Also, the actual cost may vary from the estimated due to reimbursements from third party payors that are applied to the total cost before the billings are sent to the Authority.

Deferred Revenue

Deferred revenues arise when resources are received by the Authority before it has a legal claim to them. In subsequent periods, when the revenue recognition criterion is met, or when the Authority has a legal claim to the resources, the liability for deferred revenue is removed from the fund financial statements and government-wide financial statements, and revenue is recognized.

Governmental Fund – Fund Balance Reserves and Designations

The governmental fund financial statements present fund balance reserves for those portions of fund balance (1) not available for appropriation for expenditure or (2) legally segregated for a specific future use. The reserves for related assets such as prepaid items are examples of the former. Reserves for compensated absences are examples of the latter.

MDCH Revenue

General Fund Revenue

The Board provides mental health services on behalf of the Michigan Department of Community Health (MDCH). Currently, the Board contracts directly with the MDCH for General Fund revenues to support the services provided for priority population residing in Van Buren County.

Medicaid Revenue

Also, the Board contracts to receive Medicaid revenue through Summit Pointe for Medicaid-qualified services rendered to residents of Van Buren County. Summit Pointe contracts with the MDCH to administer these Medicaid funds.

Van Buren Community Mental Health Authority
Notes to Financial Statements

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted at the function level and on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end. The Authority does not maintain a formalized encumbrance accounting system. The budgeted revenues and expenditures, as presented in this report, include any authorized amendments to the original budget as adopted.

Excess of Expenditures over Appropriations

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

During the year ended September 30, 2008, the Authority incurred expenditures in excess of the amounts appropriated as shown at the back of this report.

NOTE 3 - DETAIL NOTES

Cash and Cash Equivalents

At September 30th, the carrying amount of the Authority's cash and cash equivalents are as follows:

	2008	2007
Petty cash	\$1,375	\$1,425
Cash deposits	1,415,063	1,859,609
Certificates of deposit	1,280,789	1,172,417
Totals	\$2,697,227	\$3,033,451

Van Buren Community Mental Health Authority
Notes to Financial Statements

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits might not be recovered. At September 30, 2008, the carrying amount of the Authority's deposits was \$2,695,852, and the bank balance was \$2,535,078. Of the bank balance, \$318,652 was covered by federal depository insurance and the remainder was uninsured and uncollateralized. Deposits which exceed FDIC insurance coverage limits are held at local banks. The Authority believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Authority evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution. Only those institutions with an acceptable estimated risk level are used as depositories.

A reconciliation of deposits as shown above follows:

	2008	2007
Cash and cash equivalents – current assets	\$2,477,200	\$2,848,745
Cash and cash equivalents – restricted assets	218,652	183,281
Totals	\$2,695,852	\$3,032,026

Investments

As of September 30, 2008, the Authority had the following investments:

Investment Type	Fair Value	Average Effective Maturities	Morningstar Rating	%
U.S. Government Securities Class A – American Funds M/F	\$153,446	4.4 years	★ ★ ★	99.9%
Van Kampen Government Securities Fund Class A M/F	111	7.8 years	★	0.1%
Total fair value	\$153,557			100%

Van Buren Community Mental Health Authority
Notes to Financial Statements

Investments

State statutes authorize the Authority to invest in obligations and certain repurchase agreements of the United States Treasury and related governmental agencies, commercial paper, banker's acceptances of the United States banks, obligations of the State of Michigan or any of its political subdivisions, and mutual funds composed entirely of the above investments. See above for a listing of the Authority's investments.

The Authority's investment policy complies with the state statutes and has no additional investment policies that would limit its investment choices.

Interest Rate Risk – Investments

Under state statutes, investment in commercial paper is limited to maturities of not more than 270 days after the date of purchase. The Authority's investment policy does not place any further limitations on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Custodial Credit Risk – Investments

Custodial credit risk is the risk that, in the event of a failure of the counterparty, the Authority will not be able to recover the value of its investments that are in the possession of an outside party. The Authority requires all security transactions, including collateral for repurchase agreements, to be made on a cash basis or a delivery vs. payment basis. Securities may be held by a third party custodian and must be evidenced by safekeeping receipts. The Authority does not have any additional policies for custodial credit risk over investments.

Credit Risk

State statutes limit investments in commercial paper to be rated at the time of purchase within the three highest classifications established by not less than two standard rating services. Investments in obligations of the State of Michigan or its political subdivisions must be rated as investment grade by not less than one rating service. Investments in bonds, obligations, or repurchase agreements must be made with the U.S. Treasury and banker's acceptances with United States banks. The Authority's investment policy limits investments to be made with prudent judgment as to the safety of the invested capital and probable outcome of income.

Concentration of Credit Risk

The Authority places no limit on the amount it may invest in any one issuer.

Van Buren Community Mental Health Authority
Notes to Financial Statements

Due from Other Governmental Units

Due from other governmental units as of September 30, consists of the following:

	2008	2007
Calhoun County CMH Authority – Transfer of Medicaid Savings	\$132,531	\$124,408
Calhoun County CMH Authority – Other	-	2,000
Federal Grants Receivable	37,341	62,297
State of Michigan – Medicaid – Child Waiver	-	44,338
Van Buren County	67,500	135,000
Other Governmental Units	5,000	56,935
Totals	\$242,372	\$424,978

Capital Assets

A summary of changes in capital assets is as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
ASSETS				
Computer Equipment	\$438,564	\$59,523	(\$150,392)	\$347,695
Office Equipment	365,968	-	(160,923)	205,045
Vehicles	701,788	132,846	(140,422)	694,212
Sub-totals	1,506,320	192,369	(451,737)	1,246,952
ACCUMULATED DEPRECIATION				
Computer Equipment	(383,846)	(34,825)	150,392	(268,279)
Office Equipment	(196,936)	(18,866)	160,923	(54,879)
Vehicles	(587,348)	(30,214)	124,693	(492,869)
Sub-totals	(1,168,130)	(83,905)	436,008	(816,027)
Totals	\$338,190	\$108,464	(\$15,729)	\$430,925

Depreciation expense was charged to the Health & Welfare – Mental Health Program.

Van Buren Community Mental Health Authority
Notes to Financial Statements

Due to Other Governmental Units

Due to other governmental units as of September 30, consist of the following:

	2008	2007
Department of Community Health	\$99,610	\$54,049
Calhoun County CMH Authority	-	316,400
Van Buren County	12,984	28,606
Totals	\$112,594	\$399,055

Accrued Wages and Other Payroll Liabilities

This liability represents amounts paid to employees during October that was earned during September. Also included are employer payroll taxes.

Deferred Revenue

The amount reported as deferred revenue represents grant funds as well as the carry forward allowance for the general fund portion of the Department of Community Health's authorization.

Long-Term Liabilities – Compensated Absences

Authority policy allows full time employees to accumulate paid time off at various rates, depending on the employee's length of service with the Authority. Amounts accumulated up to a maximum accrual are to be paid to the employee and recognized as an expense either when compensated absences are used, upon termination of employment, or in accordance with a certain "payment in lieu of using discretionary hours" policy of the Authority.

The changes in long term liabilities during the 2008 fiscal year are as follows:

Liability	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated Absences	\$352,355	\$-	(\$8,009)	\$344,346	\$-

Van Buren Community Mental Health Authority
Notes to Financial Statements

Operating Leases

The Authority has entered into various operating leases for the use of real and personal property. Operating leases do not give rise to property rights or lease obligations, and therefore, the leased assets are not reflected in the government-wide financial statements.

The future minimum rental payments required under the operating leases that have initial or remaining noncancelable lease terms as of September 30, 2008 are as follows:

YEAR ENDING SEPTEMBER 30,	AMOUNT
2009	\$285,443
2010	112,902
2011	65,862
2012	16,465
2013	-

Retirement System

Plan Description

The employees of the Authority are eligible to participate in the Van Buren County Retirement Plans, which include a 457 Deferred Compensation Plan and a 401(a) Employee Thrift Plan. These plans are available to all employees hired to perform at least 900 hours of service per year.

Funding Policy

Employee deferrals to the 457 plan are allowed in accordance with Internal Revenue Code limitations. The Authority will match employee contributions up to a maximum of 6% of wages for union employees and 8% for non-union employees. Employer contributions will be made to the 401(a) plan.

Employee contributions are fully vested at all times. Employer contribution's for each employee becomes fully vested after 4 years of employment with the Authority.

For the September 30, 2008 fiscal year, employer contributions to the plan totaled \$270,733 and employee contributions totaled \$368,483. The total payroll for the year ending September 30, 2008 was \$5,991,850.

Van Buren Community Mental Health Authority
Notes to Financial Statements

Alternative Social Security Plan

Plan Description

Effective January 1, 2000, certain employees of the Authority participate in a tax qualified retirement plan in lieu of the Social Security Retirement System. Employees of the Authority who work at least 30 hours per week are eligible to participate in the plan. If eligible, the employee must elect to participate in the plan.

Funding Policy

Employee contributions to this plan are at the rate of 6.2% of gross wages, with an equal amount contributed by the employer. The employee / employer contribution rates are the same as if participating in the Social Security Retirement System. Under this plan, all contributions are immediately vested with the employee. Employees who do not participate in this plan are required to participate in the Social Security Retirement System.

Compliance Audits

The Authority participates in various federal, state, and local grants for mental health and substance abuse programs. Certain provisions and allowable levels of participation and expenditures not qualifying for participation are subject to interpretation and adjustment by appropriate governmental agencies. State grants are subject to audit by responsible state agencies. Although these audits may result in some changes, they are not expected to have a material effect on the financial statements.

Risk Management - Michigan Municipal Risk Management Authority

The Authority participated in the public entity risk pool – Michigan Municipal Risk Management Authority (MMRMA) for general liability coverage.

MMRMA, a separate legal entity, is a self-insured association organized under the laws of the State of Michigan to provide self-insurance protection against loss and risk management services to various Michigan governmental entities.

As a member of this pool, the Authority is responsible for paying all costs, including damages, indemnification, and allocated loss adjustment for each occurrence that falls within the member's self-insured retention (SIR). The Authority's SIR is between \$-0- and \$250. After the Authority's SIR and deductibles have been satisfied, MMRMA will be responsible for paying all remaining costs, including damages, indemnification, and allocated loss adjustment expenses to the limits of coverage stated below.

Van Buren Community Mental Health Authority
Notes to Financial Statements

MMRMA coverage limits are between \$2,000 and \$15,000,000 for liability, and between \$10,000 and \$50,000,000 for property and crime.

The contribution made by the Authority to the MMRMA was \$108,196 for the period July 1, 2008 to July 1, 2009.

Settled claims, if any, for the MMRMA have not exceeded the amount of coverage in any of the past three years and there was no reduction in coverage during the past year.

Prior Period Adjustment

The amount recognized in these financial statements as prior period adjustments represent adjustments to prior year inpatient liabilities.

Van Buren Community Mental Health Authority
Notes to Financial Statements

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REQUIRED SUPPLEMENTAL INFORMATION



Van Buren Community Mental Health Authority
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget and Actual
General Fund
For the year ended September 30, 2008

	Budgeted Amounts		Actual	Variance Between Actual and Final Budget
	Original	Final		
Revenues				
State grants				
Department of Community Health contract				
General fund formula and categorical	\$ 2,165,831	\$ 2,216,252	\$ 2,121,241	\$ (95,011)
Adult Benefit Waiver	306,659	259,064	259,064	-
Title XX	13,017	13,017	13,017	-
Total state grants	<u>2,485,507</u>	<u>2,488,333</u>	<u>2,393,322</u>	<u>(95,011)</u>
Federal grants	<u>379,378</u>	<u>384,833</u>	<u>389,816</u>	<u>4,983</u>
Contributions - local units				
County appropriations	<u>270,000</u>	<u>270,000</u>	<u>270,000</u>	<u>-</u>
Charges for services				
Medicaid - Venture contract	10,590,542	10,887,079	10,762,969	(124,110)
Medicaid - other	92,500	117,467	112,126	(5,341)
Client and third party pay	260,000	329,500	347,600	18,100
Other earned revenue	116,821	121,160	133,572	12,412
Total charges for services	<u>11,059,863</u>	<u>11,455,206</u>	<u>11,356,267</u>	<u>(98,939)</u>
Interest and rents				
Interest	<u>111,000</u>	<u>81,020</u>	<u>95,306</u>	<u>14,286</u>
Other revenue				
MTI income	100,000	129,000	130,751	1,751
United Way	31,000	31,000	31,000	-
Miscellaneous	<u>27,252</u>	<u>46,475</u>	<u>34,054</u>	<u>(12,421)</u>
Total other revenue	<u>158,252</u>	<u>206,475</u>	<u>195,805</u>	<u>(10,670)</u>
Total revenues	14,464,000	14,885,867	14,700,516	(185,351)

See Accompanying Notes To Financial Statements

Van Buren Community Mental Health Authority
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget and Actual
General Fund
For the year ended September 30, 2008

	Budgeted Amounts			Variance Between Actual and Final Budget
	Original	Final	Actual	
Expenditures				
Health & Welfare - Mental Health				
Personnel costs	\$ 7,872,978	\$ 7,795,501	\$ 7,783,237	\$ 12,264
Operating expenditures	6,498,734	6,990,396	6,951,339	39,057
Capital outlay	92,288	99,970	192,369	(92,399)
Total expenditures	<u>14,464,000</u>	<u>14,885,867</u>	<u>14,926,945</u>	<u>(41,078)</u>
Excess of revenues over expenditures	-	-	(226,429)	(226,429)
Other financing sources (uses)				
Operating transfers in	-	-	58,708	58,708
Excess of revenues and other sources over (under) expenditures and other uses	-	-	(167,721)	(167,721)
Fund balance, beginning of year	2,409,905	2,409,905	2,409,905	-
Prior period adjustment	-	-	(5,878)	(5,878)
Fund balance, end of year	<u>\$ 2,409,905</u>	<u>\$ 2,409,905</u>	<u>\$ 2,236,306</u>	<u>\$ (173,599)</u>

See Accompanying Notes To Financial Statements

Van Buren Community Mental Health Authority
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget and Actual
New Outlook Fund
For the year ended September 30, 2008

	Budgeted Amounts			Variance Between Actual and Final Budget
	Original	Final	Actual	
Revenues				
Charges for services				
Medicaid - Venture contract	\$ 391,000	\$ 391,000	\$ 380,800	\$ (10,200)
Other earned revenue	100,000	100,000	108,178	8,178
Total charges for services	<u>491,000</u>	<u>491,000</u>	<u>488,978</u>	<u>(2,022)</u>
Interest and rents				
Interest	<u>9,000</u>	<u>9,000</u>	<u>7,730</u>	<u>(1,270)</u>
Total revenues	500,000	500,000	496,708	(3,292)
Expenditures				
Health & Welfare - Mental Health				
Personnel costs	380,995	380,995	366,358	14,637
Operating expenditures	<u>119,005</u>	<u>119,005</u>	<u>70,605</u>	<u>48,400</u>
Total expenditures	<u>500,000</u>	<u>500,000</u>	<u>436,963</u>	<u>63,037</u>
Excess of revenues over expenditures	-	-	59,745	59,745
Other financing sources (uses)				
Operating transfers out	<u>-</u>	<u>-</u>	<u>(58,708)</u>	<u>(58,708)</u>
Excess of revenues and other sources over expenditures and other uses	-	-	1,037	1,037
Fund balance, beginning of year	<u>188,261</u>	<u>188,261</u>	<u>188,261</u>	<u>-</u>
Fund balance, end of year	<u>\$ 188,261</u>	<u>\$ 188,261</u>	<u>\$ 189,298</u>	<u>\$ 1,037</u>

See Accompanying Notes To Financial Statements

OTHER SUPPLEMENTAL INFORMATION



Van Buren Community Mental Health Authority
Supporting Schedule of Personnel Costs
For the years ended September 30, 2008 and 2007

	General Fund	
	2008	2007
Personnel Costs		
Salaries and wages	\$ 5,729,853	\$ 5,640,074
Fringe benefits	<u>2,053,384</u>	<u>2,050,028</u>
Total personnel costs	<u>\$ 7,783,237</u>	<u>\$ 7,690,102</u>

See Accompanying Notes To Financial Statements

Van Buren Community Mental Health Authority
Supporting Schedule of Operating Expenditures
For the years ended September 30, 2008 and 2007

	General Fund	
	2008	2007
Operating Expenditures		
Communications	\$ 91,909	\$ 110,118
Contractual services	5,323,054	4,928,032
Insurance	105,444	96,403
Local funds contribution	218,296	218,296
Other	40,762	38,666
Rents and utilities	455,001	452,363
Repairs and maintenance	89,185	91,751
Supplies	180,585	257,781
Transportation	214,530	207,771
Travel and conferences	232,573	211,338
Total operating expenditures	<u>\$ 6,951,339</u>	<u>\$ 6,612,519</u>

See Accompanying Notes To Financial Statements



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Directors
Van Buren Community Mental Health Authority
Paw Paw, Michigan

We have audited the financial statements of the governmental activities and each major fund of Van Buren Community Mental Health Authority (the Authority) as of and for the year ended September 30, 2008, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated December 26, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control. We consider the deficiency described as 2008-1 in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Authority in a separate letter dated December 26, 2008.

Van Buren Community Mental Health Authority's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Authority's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management and the Board of Directors and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Roslund, Prestage & Co, PC". The signature is written in a cursive, flowing style.

Roslund, Prestage & Company, P.C.
Certified Public Accountants

December 26, 2008

Schedule of Findings and Responses

Finding 2008-1

Finding considered a significant deficiency

Statement on Auditing Standards #112 titled *Communicating Internal Control Related Matters Identified in an Audit* (issued May 2006), requires us to communicate in writing when a client requires assistance to prepare the financial statements and related footnotes required in the annual audit report in accordance with accounting principles generally accepted in the United States of America.

The staff of the Authority does understand all information included in the annual financial statements; however, we assist in preparing the financial statements and related footnotes.

We do not recommend any changes to this situation at this time and communicate this as required by professional standards.

Client Response

We are aware of this deficiency and believe it is not cost beneficial in our situation to develop this expertise. We will continue to use our external auditors for this technical assistance. We would expect this situation to be ongoing in future years.



MANAGEMENT LETTER

Board of Directors
Van Buren Community Mental Health Authority
Paw Paw, Michigan

In planning and performing our audit of the financial statements for Van Buren Community Mental Health Authority for the fiscal year ended September 30, 2008, we considered the internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters.

This letter does not affect our audit report dated December 26, 2008, the financial statements of Van Buren Community Mental Health Authority.

We will review the status of these comments during our next audit engagement. We have discussed these comments and suggestions with management, and will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Sincerely,

A handwritten signature in black ink that reads 'Roslund, Prestage & Co, PC'.

Roslund, Prestage & Company, P.C.
Certified Public Accountants

December 26, 2008

Have Management Review and Approve Bank Reconciliations

During our audit we noted that bank reconciliations are done by accounting personnel and they reconcile with the general ledger. However, not all reconciliations are reviewed by management. We recommend that all reconciliations be signed and dated by the preparer and be reviewed monthly by a member of management. This review should include tests of mechanical accuracy and tracing of items on the reconciliation to the relevant source documents. Once the review is completed, the reconciliation should be initialed by the reviewer as evidence that the review had taken place.

Segregation of Duties

During our audit we noted that Van Buren Community Mental Health Authority has taken significant steps to improve internal controls as they relate to the segregation of duties. We commend you on this effort. However, we did note some areas where additional segregation would continue to improve internal controls. These areas are as follows:

- Deposits of checks received: As mail is opened, a list of all checks received is prepared noting the check number, amount and payor. This list is then forwarded to management, but is not subsequently compared to deposit slips or used in the bank reconciliation process. We recommend that deposit slips be compared with the listing during the bank reconciliation process to ensure that all checks were deposited accurately and timely. Also, we noted that mail is currently opened by one individual who is independent of the finance department. This independence is important in relation to segregation of duties. Further internal control over funds received through the mail could be achieved by including another individual, independent of the finance department, in the mail opening process.
- Signatures on accounts payable checks: the Authority uses a check signing machine to endorse all accounts payable checks. Individuals must have a key and code to active the machine. Currently, the employee who prepares accounts payable checks for signature also has the key and code to the check signing machine. We recommend that the duty to prepare accounts payable checks be segregated from the ability to sign those checks.

Uninsured Bank Deposits

During recent months the financial market has seen significant fluctuations leading many to question the security and availability of bank deposits held in financial institutions. Although most banks insure deposits through the Federal Deposit Insurance Corporation (FDIC), there are limits to that coverage.

It is our understanding that as of October 2008, the limits for FDIC insured balances are \$250,000 per entity per financial institution. Governmental units may also request certain funds be collateralized by the bank. There are also other options regarding the investment of surplus funds including investment pools, treasury investments, and commercial paper.

We are not investment advisors. However, we encourage you to meet with your investment representatives to review all of your options regarding surplus funds. We also recommend you review your investment policies to ensure it continues to satisfy the Authority's goals.